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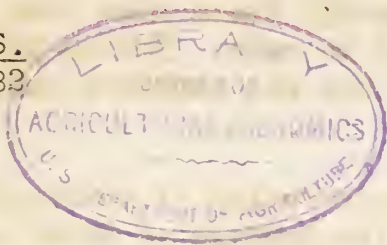


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UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington

F.S.  
T-82



FOREIGN NEWS ON TOBACCO

February 28, 1933

EUROPEAN TOBACCO CONSUMPTION DECLINES

Further declines in the European consumption of leaf tobacco from the United States are expected in 1933, according to Tobacco Specialist J. B. Hutson at Berlin. Stocks have been reduced, however, and should industrial activity in Europe show substantial improvement during the last half of 1933, the European demand for the 1933 crop may be improved over that of the present season. It is estimated that the consumption of all types from the United States during the current calendar year will be between 265,000,000 and 275,000,000 pounds compared with 285,000,000 pounds in 1932, 309,000,000 pounds in 1931 and 335,000,000 pounds in 1930. The European consumption of tobacco from the United States increased materially from 1913 to 1920 but declined during the following years and in 1925 was near pre-war levels. During the period from 1925 to 1930, total consumption did not greatly change, increases in the flue-cured types almost offsetting declines in most other types.

The developments which led to the declines in consumption during the past two years after a period of comparative stability are as follows:

- 1) The marked decline in the purchasing power of consumers resulting from greatly reduced industrial activity and increased unemployment. Industrial activity has increased slightly from the low levels of last summer but the purchasing power of consumers is below the level of a year ago in most countries.



2) Prices of tobacco products maintained or raised during a period when the prices of most commodities declined. Tobacco taxes form a considerable part of the state revenues in most countries and efforts have been made to increase receipts from this source. Recently there have been indications that not many further price increases will be made. During 1932 a few countries reduced prices, but marked reductions are not expected until state budgets are more nearly balanced.

3) Exchange and trade restrictions and the depreciation of currencies. Exchange restrictions have caused some reductions in the takings of tobacco in Germany and in a few other continental countries. Barter has been resorted to in some cases. Increased import duties have been a factor in the reduction in takings by the United Kingdom since they resulted in higher prices for tobacco products which in turn caused some shifting to products in which Empire grown tobacco is used. The depreciation of currencies has affected trade with the United Kingdom and with several continental countries in northern Europe.

4) The maintenance of production of dark air-cured tobacco in the British Empire and in continental Europe near the high 1930 level. This together with the developments mentioned above, has resulted in the displacement of some tobacco from the United States by European and British Empire types. Some further substitution is expected.

5) A marked decline in the exports of products in which tobacco from the United States is used, particularly in the case of cigarettes in the United Kingdom, smoking mixtures in the Netherlands and cigars in Switzerland. Little further declines are expected; but there are no indications that there will be marked improvement in exports during the first part of the current year.

6) Consumption of tobacco products maintained near the 1930 level in the United Kingdom but materially reduced in most continental countries. The decline in 1932 was less than that of 1931, but present indications are that the decline has not been entirely checked and that it will continue during the first part of 1933. The decline has been larger, however, in the case of cigars and oriental cigarettes than in the case of most of the products in which tobacco from the United States is used.

It is suggested above that the European demand for the 1933 crop may improve over that of the present season if consumption should turn upward toward the end of the year. Usually slightly more than two years' supply of most types are kept in stock and in order to maintain this ratio during periods when consumption is declining imports are reduced well below consumption. Conversely when consumption is increasing imports must greatly exceed consumption in order to maintain the usual ratio between stocks and consumption. Actual takings are influenced by prices, credit, exchange restrictions and many other factors, but particularly in the case of tobacco and other commodities of which stocks are usually large a small increase in consumption may be expected to result in a marked increase in demand by manufacturers. Consequently the suggestion is made that the demand by manufacturers for the 1933 tobacco crop may be improved even though consumption for the calendar year 1933 is expected to be below 1932.



Flue-cured types

The European consumption of the flue-cured types was reduced again in 1932 and a further decline is expected in 1933. Consumption in 1933 is expected to be between 165,000,000 and 170,000,000 pounds compared with 177,000,000 pounds in 1932, 190,000,000 pounds in 1931, 207,000,000 pounds in 1930, and 199,000,000 pounds in 1929.

The decline in the consumption of the flue-cured types during the past year was due largely to the reduced exports of manufactured cigarettes by the United Kingdom, the increased substitution of Canadian and Rhodesian flue-cured tobacco in cigarettes in the United Kingdom and reduced consumption of blended cigarettes and high-priced smoking mixtures in continental Europe. Approximately 4,000,000 pounds less were used in cigarettes exported by the United Kingdom in 1932 than the previous year. This decline was due to reduced takings of these cigarettes by the Chinese and Indian trade. Exports to other countries were slightly larger than the previous year. Exports to China and India are now at a low level and but little further reduction in the takings of these countries is possible. If exports to other countries continue to be maintained as they have been during the past year total exports in 1933 will be slightly larger than in 1932.

Approximately 4,000,000 pounds of flue-cured tobacco from the United States were displaced by Canadian and Rhodesian grown flue-cured tobacco during the past year in cigarettes consumed in the United Kingdom. Imports of these Empire grown types have been large in recent months and the sales of the products in which they have been substituted have been holding up well. Consequently further substitutions are expected during the coming year. However, the further loss due to increased substitution during the coming year is not expected to exceed 5,000,000 pounds. The consumption of cigarettes in the United Kingdom during 1932 was near the level of the previous year.

The consumption of flue-cured tobacco in continental Europe was between 4,000,000 and 5,000,000 pounds smaller in 1932 than during the previous year. On the Continent flue-cured tobacco is used largely in the better grades of smoking mixtures and blended cigarettes and the consumption of both classes of products declined in most countries during the past year. The declines noted in the consumption of blended cigarettes in some countries are partially offset by increases in other countries in which this product was introduced in 1931 and 1932. The decline in the consumption of these comparatively high-priced products in which flue-cured tobacco is used is expected to continue at least during the first half of 1933. It may increase during the latter half if industrial activity shows material improvement, but even with some improvement during the latter part of the year consumption of these products would probably average lower than during the past year. It is estimated that the consumption of flue-cured types in these products in continental Europe in 1933 will be between 2,000,000 and 4,000,000 pounds less than last year.

Imports of the flue-cured types during the past year have been small and stocks have been reduced to such a point that they are now lower than during the corresponding period of any year since 1929. They are estimated to have been between 375,000,000 and 380,000,000 pounds on January 1, 1933,



compared with 406,000,000 pounds a year earlier. Imports during the past year were between 145,000,000 and 150,000,000 pounds compared with 185,000,000 pounds the previous year and 230,000,000 pounds in 1930. Should consumption begin to increase during the latter part of 1933, it is probable that an effort would be made to materially increase stocks. This probably would result in a marked improvement in the European demand for the 1933 crop even though consumption for the 1933 calendar year should be smaller than for 1932.

#### Fire-cured types

The European consumption of fire-cured tobacco from the United States in 1933, is expected to be between 75,000,000 and 80,000,000 pounds compared with 83,000,000 pounds in 1932, 91,000,000 pounds in 1931, and 101,000,000 pounds in 1930.<sup>1/</sup> The European consumption of these types has declined each year since 1920, with the decline particularly rapid from 1920 to 1925. Since 1925 the decline has averaged around 8 per cent a year.

By 1930, the consumption of the products in which the fire-cured tobacco is used in Europe had dropped to near the 1920 level. Most of the decline in the consumption of these types during the period from 1920 to 1930 was due to the substitution of European and British colonial grown tobacco in the products in which these types are used. During the first part of the period the consumption of the Paducah type was materially reduced, largely because of the marked increase in the production of dark air-cured tobacco in Italy. The decline in the consumption of other fire-cured types was more gradual and came about largely because of the expansion in production of the dark air-cured types in other European countries and in the British Empire.

Slightly more than one-fourth of the decline in the consumption of fire-cured tobacco during the past two years has been due to the increased substitution of British Empire grown tobacco in roll and pipe mixtures, largely the former, in the United Kingdom, and present indications are that some further substitution will take place. Because of the preferential rate of 2s. 6d. (\$0.35 converted at current exchange) per pound on Empire grown tobacco, roll tobacco and pipe mixtures made from these types sell at prices ranging from 15 to 20 per cent less than those for similar products in which fire-cured tobacco from the United States is used. The prices prevailing for the products in which tobacco from the United States is used have been maintained or increased slightly during the past two years because of increases in import duties. These increases, coming at a time when the purchasing power of consumers was low, resulted in marked headway being made in the sales of the products in which the Empire tobacco is used. It is probable that consumers in the United Kingdom will continue to turn to these lower priced products so long as their purchasing power remains near present levels.

Almost one-fourth of the decline of the past two years has been due to the increased use of stems imported from the United States and substituted for the lower grades of fire-cured tobacco, particularly in Germany and Sweden. In Germany the import duty on stems is approximately one-fourth of the rate on leaf. The prices of stems are materially lower than the prices of low

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<sup>1/</sup> The estimate for 1931 is 4,000,000 pounds larger than that of 1932, and 3,000,000 pounds larger than the estimate given in an earlier report.



grade leaf. Consequently, during the past two years an increasing number of manufacturers have found it to their advantage to use stems instead of low grade leaf in products for the low income groups. This tendency will probably continue until the purchasing power is increased, unless rates are changed or the prices of stems more nearly approach the prices of leaf.

Approximately one-fourth of the decline of the past two years has been due to the increased substitution of European grown types in smoking mixtures in the countries in which these types are grown. The production of dark air-cured tobacco expanded rapidly from 1920 to 1930 and has since remained near the 1930 level. There are some indications that production will be reduced in several countries in 1933, but stocks are reported to be large in most countries. Consequently it is expected that the European grown tobacco will continue to be substituted for imported tobacco whenever possible.

Most of the remainder of the decline of the past two years has been due to declines in the domestic consumption and exports of products in which these types are used, particularly in the exports of smoking mixtures from the Netherlands and the exports of Virginia cigars from Switzerland. But little further declines in the domestic consumption and exports of these products are expected. However, domestic consumption, even of the low priced products in which the fire-cured types are used is not likely to improve materially until there is a marked improvement in the purchasing power of consumers. A large part of the decline in exports has been in those from the Netherlands to the Dutch East Indies, and but little improvement in these exports is expected until there is more improvement in the prices of rubber, sugar and Java and Sumatra tobacco. The stocks of these commodities are still large.

Imports in 1932 of the Paducah type, which is consumed largely in France and Spain, were approximately 8,000,000 pounds larger than the estimated consumption, and consequently stocks appear to be larger by that amount than a year ago. This type has a definite place in most of the cigarette and pipe mixtures popular with most of the French and Spanish people and consumption has not been greatly reduced during the past three years. The combined imports of the other fire-cured types in 1932 were approximately 8,000,000 pounds less than the estimated consumption. Consequently the stocks of these types appear to have been reduced by this amount.

Total European stocks of fire-cured tobacco on January 1, 1933, are believed to be near those of a year earlier when they were low. Stocks were approximately 20,000,000 pounds smaller on January 1, 1931 than on January 1, 1930. Because of the increased stocks of the Paducah type in 1932 imports during 1933 will probably be less than those of 1932, even if business conditions improve toward the end of the year. Imports of the other types may be increased.

#### Maryland

The European consumption of Maryland tobacco has declined in recent years largely because of high prices as compared with the prices of other types of tobacco. The consumption of this type in 1930 and 1931 was near 9,000,000 pounds annually, but it appears to have declined about 1,000,000



pounds in 1932. This type is consumed largely in cigarette and pipe mixtures in France, Switzerland, the Netherlands and Belgium. Imports during the past two years have been slightly under 8,000,000 pounds annually. Recent losses are not expected to be regained unless larger quantities are offered at prices lower than those that prevailed prior to 1932. If prices in line with those of 1932 should prevail for two or three years, it is probable that there would be some increase in consumption.

#### Burley

The European consumption of Burley tobacco has increased moderately in recent years. In 1930 consumption was estimated at 6,000,000 pounds, in 1931 at 7,000,000 pounds, and in 1932 at 8,900,000 pounds. Imports in 1932 were slightly larger than those of other recent years. This type is consumed largely in Belgium, Portugal, the Netherlands and Switzerland. The better grades are used in blended cigarettes in these countries. France, Italy, Germany and Sweden have introduced during the past few years blended cigarettes in which this type is used. These blended cigarettes appear to be gaining in favor slowly in some countries but their consumption has been affected adversely by the low purchasing power of consumers and no marked increase in consumption is expected during the current year. During the past few years considerable quantities of Burley tips have been used in Belgium in smoking mixtures. The consumption of these tips depends to a considerable extent upon prices at which they can be purchased as compared with those of other tobacco. In most of the products in which they are used other types can be substituted for them.

#### Green River

The European consumption of this type has declined in recent years. Consumption is estimated at 7,500,000 pounds in 1930, 6,900,000 pounds in 1931, and 5,300,000 pounds in 1932. This type is consumed largely in the British Isles and Belgium. Empire grown tobacco has been substituted for it in the United Kingdom and there appears to have been some decline in the consumption of the products in which it is used in the Irish Free State. It is a type for which a substitute can be found in Belgium when prices are favorable for the substitution. Consumption is likely to be smaller in 1933 than during the previous year, but imports may be larger than the unusually small imports of last year. Stocks are low.

#### Cigar types

Small quantities of cigar tobacco from the United States have been consumed in Europe in recent years, largely in France. The consumption of these types is estimated at 3,700,000 pounds in 1930, 3,900,000 pounds in 1931, and 3,000,000 pounds in 1932. The consumption of cigars has declined materially during the past two years and the imports of this type were small in 1932. Imports may be increased moderately in 1933, but consumption is not likely to be any larger if as large as in 1932.





